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GENERAL AMENDMENTS TO THE PENSION FUNDS ACT

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DEO: PENSION FUNDS

CHIEF ACTUARY

FINANCIAL SERVICES BOARD

AUGUST 2006



BARGAINING COUNCIL FUNDS

- ▶ All Bargaining Council Funds to be regulated under the Pension Funds Act
- ▶ Current registered funds will remain registered
- ▶ Funds currently not registered must register on or before 1 January 2008
- ▶ All Bargaining Council Funds will need to undergo surplus apportionment



Powers of the Registrar

Various provisions has been inserted to provide more powers to the registrar:

- ▶ Approval of administrators – Section 13B
- ▶ Powers of inspection – Section 25
- ▶ Alter basis of management – Section 26
- ▶ Registrar may issue directives
- ▶ Registrar may impose administrative penalties



PENSION FUNDS ADJUDICATOR

- ▶ Definition of adjudicator – enable the Minister to appoint a deputy adjudicator / acting adjudicator
- ▶ Section 30P – limitation of grounds to appeal determination to facts and issues raised before the adjudicator on which determination was based



DEATH BENEFITS

- ▶ Amendment section 37 C:
- ▶ Dedicated pensions, ie. Spouses and childrens pension on death can only be paid to those individuals
- ▶ Cannot be redirected to other beneficiaries



DIVORCE ORDERS

- ▶ Divorce benefits to non-member spouse payable on divorce order



ONE-STOP SHOP

- ▶ Approval on behalf of SARS for purposes of the Income Tax Act
- ▶ Registrar to consider ITA requirements on behalf of SARS

STATEMENT OF INTENT

- ▶ Compulsory transfers between retirement annuity funds
- ▶ Clarification of responsibilities and duties of trustees of retirement annuity funds

SECTION 14 AMALGAMATIONS AND TRANSFERS

Required in order to transfer assets and liabilities between two funds or one fund and another fund not registered under the Act



REASON FOR CHANGE

For simple cases the Registrar adds no value. It is thus felt that this requirement should be removed if

- ▶ Both funds valuation exempt
- ▶ One fund valuation exempt, other fund not registered under the Act
- ▶ Between two participating employers in a valuation exempt fund



OTHER SECTION 14 MATTERS

- ▶ Submit within 180 days of effective date
- ▶ Transfer assets within 60 days of approval
- ▶ Scheme lapses if queries not responded to within 180 days
- ▶ The Registrar may withdraw a previously issued approval certificate



BRIEF OVERVIEW OF THE SURPLUS APPORTIONMENT ACT



- | | |
|--------------------------------------|---|
| ▶ Date Act Introduced | 7 December 2001 |
| ▶ Surplus Apportionment date (SAD) | Fixed date during 7 December 2001 to 7 December 2004. |
| ▶ Time to submit scheme | 18 months |
| ▶ Date last scheme due | 7 June 2006 |
| ▶ Former member representative (FMR) | Must be appointed if there is surplus |



SURPLUS VALUE

As per	Actuarial Valuation
Less	Acceptable Contingency Reserves
Less	Costs of Exercise
Plus	Misuses



FIRST TIER SPLIT

- ▶ Former members who left after 1 January 1980 to receive minimum benefits
- ▶ Current Pensioners to receive minimum increases

If not enough surplus, the above is reduced proportionately



SECOND TIER SPLIT

If residual surplus, it must be shared between

- ▶ Current members
- ▶ Former members
- ▶ Current Pensioners
- ▶ Employer

Based on the financial history of the Fund

